

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

LR No.: 3181-05
Bill No.: Perfected SCS for SB 937
Subject: Office of administration: Publications, State Departments
Type: Original
Date: March 4, 2004

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|-------------------------------|-------------------------------|-------------------------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| General Revenue | (\$628,530 to Unknown) | (\$204,973 to Unknown) | (\$207,088 to Unknown) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (\$628,530 to Unknown) | (\$204,973 to Unknown) | (\$207,088 to Unknown) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|----------------------|----------------------|----------------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| Other Funds DOH | (\$18,044) | (\$18,585) | (\$19,143) |
| Guaranty Agency Operations | (\$1,770,000) | (\$1,770,000) | (\$1,770,000) |
| Mo. Catalog of State Assistance Programs Resources | (\$185,002) | (\$195,368) | (\$200,257) |
| Total Estimated Net Effect on <u>Other</u> State Funds | (\$1,973,046) | (\$1,983,953) | (\$1,989,400) |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------------------------|----------------------------------|----------------------------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| Federal | (\$85,310) | (\$87,608) | (\$89,976) |
| Unemployment Compensation Administrative | (Unknown) | (Unknown) | (Unknown) |
| Total Estimated Net Effect on <u>All</u> Federal Funds | (\$85,310 to Unknown) | (\$87,608 to Unknown) | (\$89,976 to Unknown) |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|-------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

The following Departments, Offices, Agencies, and Commissions assume no fiscal impact:

Office of Governor, Office of Attorney General, House of Representatives, Department of Economic Development- Public Service Commission, Missouri Ethics Commission, Department of Corrections, Department of Revenue- State Tax Commission,

Officials of the **Department of Public Safety - Veterans Commission** assume they would have fiscal impact. Officials assume the amount of impact is unknown.

Officials of the **Department of Public Safety - Administration** assume this proposal could raise a federal issue, and would expect to have to pay a share of allocation costs. Officials did not estimate costs.

ASSUMPTION (continued)

Officials of the **Office of Lt. Governor** assume fiscal impact. Amount of fiscal impact is unknown.

Officials of the **Department of Natural Resources** assumes that their actual costs is unknown, however, officials assume that the department would pay the Office of administration to maintain the catalog. Officials estimate this would cost the department approximately \$464,467. Officials calculated this figure by taking total grants and loans passed through to subgrantees for FY 2003, (\$185,786,642) and multiplied that total by the maximum .25 % allowed by this proposal. Officials assume they would have allocation costs which are unknown.

Officials of the **Department of Insurance** assume they would have allocation costs which are unknown, but would be expected to exceed \$50,000 annually.

Officials of the **Department of Conservation** assume this proposal would have negative minimal fiscal impact. Officials stated that impact would be due to administrative time, and expense to comply.

Officials of the **Department of Agriculture** assume this proposal would have fiscal impact. Officials stated the cost allocation of, not to exceed one-quarter of one percent of any individual grant program, would cost the department \$2,500 annually assuming they would continue to be able to offer \$1,000,000 in Missouri Value Added Grants annually. Officials assume cost would begin in FY 05.

Officials assume they would need a total of 4 FTE. Officials estimate they would need 3 CIT III, and 1 Librarian. Officials assume cost would begin in FY 2005. Officials estimate Personal Services cost in FY 05 at \$126,455; and \$73,489 in FY 06. Oversight assumes they would need only 1 CIT III in FY 06. Fringe Benefit costs in FY 05 is estimated to be \$51,176; and \$29,741 in FY 06. Equipment costs in FY 05 are estimated at \$119,350; and \$0 in FY 06. Expenses are estimated to be \$60,540 in FY 05 and \$540 in FY 06

Officials of the **Department of Revenue - Division of Taxation** assume they would have apportioned cost and would pay their share of maintenance costs. Cost is unknown.

Officials of the **Office of State Treasurer** assume based on programs listed in 28.752, that both the linked and general time deposit program might qualify under the definitions of "direct loans" (6). If this is correct there would be a negative unknown fiscal impact for the cost allocation program based on the money available.

ASSUMPTION (continued)

Officials of the **Office of State Courts Administrator** stated that if the Judiciary were to be included in “state agencies,” there would be an estimated costs of \$5,000 and could be as little as several hundred dollars.

Officials of the **Department of Transportation** assume they would have unknown costs to the State General Revenue Fund, Highway Fund, and to Federal Funds. Officials did not explain the costs. **Oversight assumes the DOT officials are referring to the Department’s share of cost allocation to maintain the catalog.**

Officials of the **Department of Elementary and Secondary Education** stated that they currently offer an automated grant application system on the internet, along with information. Officials assume that because of the amount of money which flows through DESE to school districts, the cost allocation percentage and dollar amount would be substantial. Officials stated costs would be an unknown negative.

Officials of the **Department of Health and Senior Services** stated that programs funded through General Revenue would also be included in the catalog and therefore, would incur costs to pay that portion of the cost allocation. The maximum amount that could be cost allocated to the Office of administration for this program is .0025 of any individual grant program. The DHSS appropriated funding for FY 04 is \$81,863,107 General Revenue; \$318,438,264 Federal Funds; and , \$72,177,669 Other Funds. For the purposes of this fiscal note, the Department assumes that 90% of all funding is direct program dollars. Therefore, the maximum amount allowable for the cost allocation portion of this legislation would be: \$20,466 General Revenue; \$76,610 Federal Funds; and \$18,044 All Other Funds.

Officials stated that expenses to collect, submit, and update for the catalog would also be incurred. Officials assume that the Division of Administration would have the responsibility for these activities. Officials assume that they would require 1 FTE, Executive I, to coordinate, track, and report the necessary data to the Office of administration. Standard expense and equipment would also be required.

Officials of the **Department of Labor and Industrial Relations** assumes there would be some conformity issues. Officials assume there would be costs associated with compilation of information. Officials assume costs could be paid by the Unemployment Compensation Administrative Fund. Officials assume cost are unknown.

ASSUMPTION (continued)

Officials stated that the language in this bill appears to conflict with United States Department of Labor (USDOL) policy with respect to cost allocation. General Administration Letter (GAL) 4-91 provides information on the Department of Labor's position with respect to cost allocation. It refers to Attachment A of OMB Circular A-87 on Cost Principles for State, Local, and Indian Tribal Governments (This circular applies to all Federal grants to states, local governments, and Indian tribes.). Consistent with what is included in GAL 4-91, the most recent update to this circular indicates that "a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received" (1995). Since the allocation of costs is based on the percentage of funds and is not based on "benefits received," this bill raises a federal issue.

In addition, the language appears to potentially conflict with Section 302 of the Social Security Act (SSA). The act states that the Federal government will provide states with funding deemed to be "necessary for the proper and efficient administration" of their unemployment compensation (UC) programs. The USDOL has raised the question of whether or not costs associated with this catalog are, in fact, necessary for the proper and efficient administration of the UC program. The USDOL has stated that if this catalog would result in more than "incidental" duplication of other efforts by the state UC agency to give the public information about the UC program, it is doubtful that the Secretary of Labor would consider the cost to be necessary for the proper and efficient administration of the state's UC laws. For this reason, the USDOL had stated they would need more information before they could make a determination as to whether UC administration funds can be used to pay for this catalog. However, in either event the cost allocation issue listed above still remains.

If Missouri's law is determined to be out of conformity with Federal law, the consequence could be a loss of certification for FUTA credits. A loss of certification would cause (1) contributing Missouri employers to lose as much as \$990 million annually in FUTA credits and (2) the Division of Employment Security (DES) to lose approximately \$40 million annually in administrative funds.

Oversight assumes that any loss of federal funds would depend upon determination of a nonconformity/noncompliance and the imposition of sanctions by the United States Department of Labor. The likelihood of such sanctions would be speculative. For fiscal note purposes, unknown impact to federal funds has been reflected.

ASSUMPTION (continued)

Officials of the **Department of Higher Education (DHE)** assume the requirements of this bill could result in a significant but unquantifiable negative fiscal impact on the DHE. Significant administrative budget cuts have greatly impacted the DHE, and therefore this legislation may require an FTE (minimum of 1.0 FTE) to participate on the task team (28.750.2) and complete the related duties including compiling and maintaining DHE's catalog submission. In addition, the DHE will have costs for each program in the catalog as related to the resources fund established in Section 28.750.7. According to Section 28.752, the DHE may be required to submit several programs for inclusion in the catalog including, but not limited to, the Teacher Quality Grant, GEAR UP, state scholarship programs, and proprietary school information. The DHE student loan program may also be required for inclusion in the catalog. Using the provisions contained in Section 28.750.7, the DHE could be assessed the following costs: \$104,626 (GR), \$8,700 (federal), and \$1,770,000 (other), for a total cost of \$1,883,326.

Officials of the Office of Administration - The Office of Information Technology assumes the proposed legislation will have a negative fiscal impact on the Office of Administration who will be responsible for administering the catalog of assistance programs and therefore defers implementation and operation costs to the Office of Administration. It will have a negative fiscal and administrative impact on all public governmental bodies required to submit program information to the statewide system or have existing grant application programs that must become compliant with the statewide system. OIT will be responsible for administering costs to implement a Missouri E-Government infrastructure capable of supporting the effort. These costs are estimated to be \$450,000 to General Revenue Fund.

The Office of Administration will chair the task team for the preparation and issuance of the Catalog. OA will also administer the "Missouri Catalog of State Assistance Programs Resources Fund", develop a cost allocation plan, assess the costs, and initiate an interagency billing process.

The 2 FTE included in this fiscal note would sit on the Catalog of State Assistance Programs Task Team, would work with coordinating information from all state departments, and would work with the Division of Information Services to get information on the website. The Senior Office Support Assistant-Keyboarding would help facilitate printing the annual report, data entry, recording minutes of the task team meetings, etc.

The Division of Information Services would be responsible to create and maintain the Catalogue of Assistance Application system. The system would be a statewide system available to all state agencies to integrate their applications for funding into one common data base and application process. The public would be able to access the system and request information on all types of public funding provided by the State. The system would need to standardize to one grant

ASSUMPTION (continued)

application system. Currently each department has their own application process. A statewide website would need to be maintained with information on the various funding programs provided by all State Agencies.

The DIS note only includes 2 FTE's for the Information Technical support and not the gathering of data or developing procedures and guidelines for state agencies in order to develop one grant application process and system.

At the time of printing of this fiscal note the Office of Secretary of State had not responded. Oversight assumes that the Office of Secretary of State would have some allocation costs.

| | | | |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2005 (10 Mo.) | FY 2006 | FY 2007 |
|---|---------------------|---------|---------|

GENERAL REVENUE FUND

Cost to Department of Health and Senior Services

| | | | |
|---|--------------------------|--------------------------|--------------------------|
| Personal Services (1) FTE | (\$26,312) | (\$32,363) | (\$33,173) |
| Fringe Benefits | (\$9,649) | (\$11,868) | (\$12,165) |
| Equipment | (\$6,885) | \$0 | \$0 |
| Expense | (\$10,592) | (\$12,536) | (\$12,912) |
| Cost Allocation | (\$20,466) | (\$21,080) | (\$21,712) |
| <u>Total Cost</u> to Dept. of Health and Senior Services | <u>(\$73,904)</u> | <u>(\$77,847)</u> | <u>(\$79,962)</u> |

| | | | |
|--|--------------------|--------------------|--------------------|
| <u>Cost</u> to Department of Higher Education cost allocation | <u>(\$104,626)</u> | <u>(\$104,626)</u> | <u>(\$104,626)</u> |
|--|--------------------|--------------------|--------------------|

| | | | |
|--|---------------------------|---------------------------|---------------------------|
| <u>Total Cost</u> to Higher Education from GR | <u>(\$104,626)</u> | <u>(\$104,626)</u> | <u>(\$104,626)</u> |
|--|---------------------------|---------------------------|---------------------------|

| | | | |
|--|-------------------------|-------------------------|-------------------------|
| <u>Cost</u> to All Departments, Agencies, Commissions, Offices that publish in catalog from cost allocation | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
|--|-------------------------|-------------------------|-------------------------|

| | | | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>Cost</u> to Office of Administration- Office of Information and Technology hardware, and software, and infrastructure | <u>(\$450,000)</u> | <u>(\$22,500)</u> | <u>(\$22,500)</u> |
| ESTIMATED NET EFFECT TO GENERAL REVENUE FUND | <u>(\$628,530 to Unknown)</u> | <u>(\$204,973 to Unknown)</u> | <u>(\$207,088 to Unknown)</u> |

MISSOURI CATALOG OF STATE ASSISTANCE PROGRAMS RESOURCES FUND

| | | | |
|---|---------------------------|---------------------------|---------------------------|
| <u>Cost</u> to Office of Administration | | | |
| Personal Services (4.0 FTE) | (\$110,092) | (\$135,412) | (\$138,798) |
| Fringe Benefits | (\$45,578) | (\$56,060) | (\$57,463) |
| Equipment & Expense | <u>(\$29,332)</u> | <u>(\$3,896)</u> | <u>(\$3,996)</u> |
| Total Cost to Office of Admin. | (\$185,002) | (\$195,368) | (\$200,257) |
| ESTIMATED NET EFFECT TO MISSOURI CATALOG OF STATE ASSISTANCE PROGRAMS RESOURCES FUND | <u>(\$185,002)</u> | <u>(\$195,368)</u> | <u>(\$200,257)</u> |

FEDERAL FUNDS

| | | | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>Cost</u> to Department of Higher Education | <u>(\$8,700)</u> | <u>(\$8,700)</u> | <u>(\$8,700)</u> |
| <u>Cost</u> to Unemployment Compensation Administrative Fund Dept. of Labor and Industrial Relations | | | |
| Cost Allocation/ other issues ** | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| <u>Cost</u> to Dept. of Health and Senior Services | | | |
| Cost Allocation | <u>(\$76,610)</u> | <u>(\$78,908)</u> | <u>(\$81,276)</u> |
| ESTIMATED NET EFFECT TO FEDERAL FUNDS | <u>(\$85,310 to Unknown)</u> | <u>(\$87,608 to Unknown)</u> | <u>(\$89,976 to Unknown)</u> |

ALL OTHER FUNDS

| | | | |
|---|-----------------------------|-----------------------------|-----------------------------|
| Cost to Department of Higher Education Allocation Cost | (\$1,770,000) | (\$1,770,000) | (\$1,770,000) |
| Cost to Department of Health and Senior Services Cost Allocation | <u>(\$18,044)</u> | <u>(\$18,585)</u> | <u>(\$19,143)</u> |
| ESTIMATED NET EFFECT TO ALL OTHER FUNDS | <u>(\$1,788,044)</u> | <u>(\$1,788,585)</u> | <u>(\$1,789,143)</u> |

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Oversight assumes that any loss of federal funds would depend upon determination of a nonconformity/noncompliance and the imposition of sanctions by the United States Department of Labor. The likelihood of such sanctions would be speculative. For fiscal note purposes, unknown impact to federal funds has been reflected.

| | | | |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2005 (10 Mo.) | FY 2006 | FY 2007 |
| | \$0 | \$0 | \$0 |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act requires the Office of administration to develop a Missouri Catalog of Assistance Programs to serve as the repository of information for public assistance programs. The catalog must be available in an electronic form that is accessible over the Internet. A task team consisting of one person from each state agency is established to facilitate information gathering for the development of the catalog. The task team must submit a report to the Governor, members of the General Assembly, and the Chief Justice of the Missouri Supreme Court proposing a plan to standardize the application for state assistance. The catalog must be operational by June 30, 2005, and provide a notice of funding availability. The act specifies information that must be included in the catalog about each program that is listed.

RWB:LR:OD (12/02)

DESCRIPTION continued

The act creates the Missouri Catalog of Assistance Programs Resource Fund, to be administered by the Office of administration. The fund consists of costs assessed to state agencies based on the percentage of funds the agency represents during each state fiscal year.

The provisions of this act shall sunset in six years.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

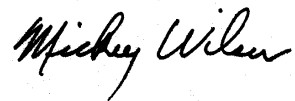
SOURCES OF INFORMATION

Office of the Governor
Office of State Auditor
Office of State Treasurer
Office of Administration
Office of Public Defender
Office of Lt. Governor
Office of State Courts Administrator
Department of Mental Health
Department of Economic Development- Public Service Commission
Department of Revenue - State Tax Commission
Department of Insurance
Department of Public Safety - All Divisions
Department of Conservation
Department of Agriculture
Department of Transportation
Department of Elementary and Secondary Education
Department of Health and Senior Services

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SOURCES OF INFORMATION continued

Department of Labor and Industrial Relations
Department of Higher Education
Department of Corrections

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 4, 2004